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September 22, 2006

Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Attention: Jennifer J. Johnson, Esq.
Secretary

Re: Docket No. OP-1259
Policy on Payment System Risk

Governors:

The Clearing House Association L.L.C. ("The Clearing House")¹ supports the Board's proposal to amend its policy statement on payment system risk.² The proposal would (i) incorporate into the policy statement the Recommendations for Central Counterparties ("Recommendations for CCP") that were published by the Committee on Payment and Settlement Systems of the Central Banks of the Group of Ten Countries ("CPSS") and the International Organization of Securities Commissions; (ii) clarify the purpose of part I of the policy statement and clarify its scope with respect to central counterparties; and (iii) establish an expectation that systemically important payment systems will publicly disclose their self-assessments against the Core Principles for Systemically Important Payment Systems, the Recommendations for Securities Settlement Systems, and the Recommendations for CCP.

The Clearing House has a unique perspective on payment-system issues. Through its affiliate, The Clearing House Payments Company L.L.C. ("PaymentsCo"), The Clearing House provides payment services to more than 1,600 financial institutions around the world, including check and electronic clearing, automated clearing house, and funds-transfer services. The Clearing House's funds-transfer system, the Clearing House Interbank Payments System ("CHIPS"), is the largest private-sector payments system in the world, processing on an average day over 300,000 payment messages worth about \$1.5 trillion. The Clearing House is the world's leading private-sector payment system infrastructure for clearing and settling U.S.-dollar payments.

¹ The members of The Clearing House are Bank of America, N.A.; The Bank of New York; Citibank, N.A.; Deutsche Bank Trust Company Americas; HSBC Bank USA, N.A.; JPMorgan Chase Bank, N.A.; LaSalle Bank, N.A.; UBS AG; U.S. Bank N.A.; Wachovia Bank, N.A.; and Wells Fargo Bank, N.A.

² 71 Fed. Reg. 36,800 (June 28, 2006).

Incorporation of the Recommendations for CCP will continue the Board's practice of adopting for U.S. payment systems the standards that have been agreed to by CPSS and that set the global standards for risk-control practices and procedures for payment and related systems. As many of the standards adopted by CPSS were pioneered by CHIPS and other U.S. payment systems, we believe that their adoption as international standards has helped to level the playing field among the payment systems around the world and increase the safety of all the world's payment systems. For this reason, The Clearing House supports the incorporation of the Recommendations for CCP into the Board's policy statement.

If the Board adopts the Recommendations for CCP and incorporates them into its policy statement, the Board should also clarify the statement with respect to its coverage of CCP systems. We believe that the revisions that the Board has proposed accomplish this task.

Finally, the Board wants to establish an expectation that systemically important systems covered by the policy statement will undertake a self-assessment to ensure that they are in compliance with whatever standards apply, that the self-assessment will be reviewed by senior management and by the system's board of directors, and that completed self-assessments will be made readily available to the public.

The Clearing House supports this proposal. We believe that systemically important payment systems should perform periodic self-assessments to ensure that they are in compliance with the standards that apply to them, and we believe that a general rule encouraging these self-assessments to be made public will help system participants and their customers that receive payments through those systems to assess their own risks with respect to those payments. We do not believe, however, that an annual review would be necessary. A review every three years, or sooner if there are any material changes, should be sufficient.

We hope these comments are helpful. If you have any questions on this letter, please contact Joseph R. Alexander, Senior Counsel, at 212-612-9334 or joe.alexander@theclearinghouse.org.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Alexander", with a long horizontal stroke extending from the bottom of the signature.